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National Home Center News®

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Plywood class action nets $172M to retailers

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Thanks to Harry Gabriel, a Ponachatoula, La., lumberman, tens of thousands of building material retailers, wholesalers and home builders may soon start divvying up a $172 million class action lawsuit settlement.

That's roughly how much money is available in a fund established by plywood manufacturers who decided to settle out of court rather than continue fighting charges that they violated Federal antitrust laws by overcharging for freight and weight costs on Southern plywood for several years.

For any concern that bought plywood direct from manufacturers between February, 1968, and December, 1973—an estimated 40,000 to 60,000 retailers, contractors and distributors—checks amounting to 30% to 60% of the overcharge during the five-year period might be mailed out by February.

The imprecision of the percentage is a result of appeals in the U.S. Court of Appeals for the Fifth Circuit in New Orleans, filed by some Kentucky companies that are attempting to become part of the class. Once the panel of judges that makes up the Fifth Circuit resolves the appeals (expected during the second week of October), and barring any further action by the defendants, checks will be mailed out almost immediately from a Philadelphia office of Arthur

(Continued on page 81)

Wickes offer off as O-C plans recapitalization

By Brad Altman
NHCN staff editor

LOS ANGELES — Marking the end of a takeover battle, Wickes abandoned its hostile tender offer for Owens-Corning Fiberglas in late August and, on Sept. 2, sold its 8.5% stake in the building products company for an expected net profit after expenses of more than $30 million.

The decision to halt its tender offer was made shortly after O-C announced a stringent restructuring and recapitalization plan. Wickes decided not to get caught in a bidding war and refused to raise its $74-a-share, or $2.1 billion total, bid.

Wickes has taken itself "out of the picture in terms of a possible combination of the two

(Continued on page 85)

Lowe's uses new math in strategy shift

By Wyatt Kash
NHCN Editor

NEW YORK — Lowe's Companies is shifting strategic gears in a new multiyear expansion plan unveiled here at an Aug. 28 meeting with securities analysts.

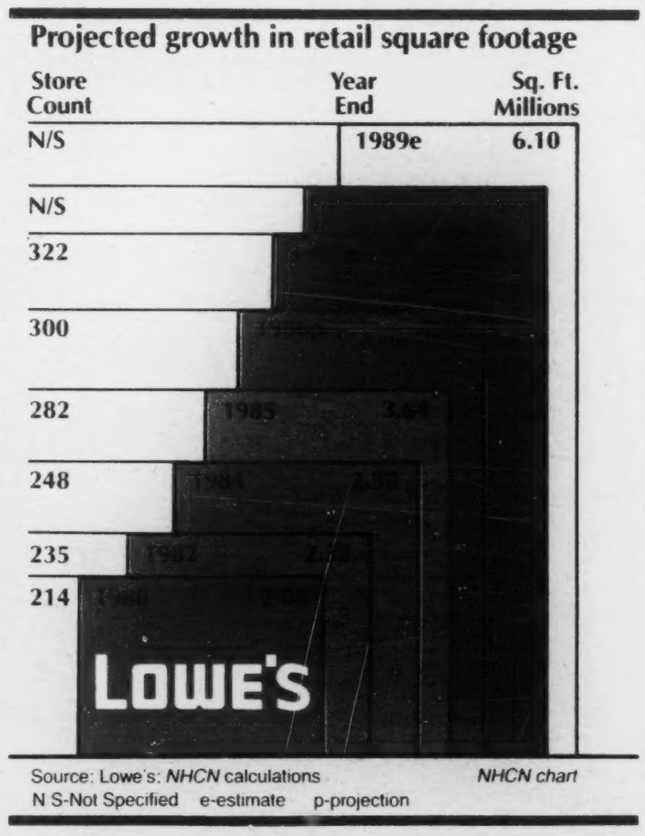
In a program to begin next year and accelerate in 1988, Lowe's will step up chainwide efforts to convert as many as 150 of its smaller stores into larger retail units, increasing the square footage of many of them by 45% to 50%.

At the same time, the North Wilkesboro, N.C., retailer, currently with 295 stores, is apparently scaling back plans for opening new stores after 1987.

The strategy reflects a shift in emphasis for Lowe's. The chain had been following a growth plan formulated in 1983, which called for annually increasing its store count by 5%, while simultaneously expanding its existing retail square footage by 10%. Those goals were at the heart of a renewed expansion plan christened by chairman Robert L. Strickland as Lowe's "5 + 10" strategy.

The revised plan, which Strickland labeled

(Continued on page 85)



Beaver Lumber to purchase Crown Stores

By Kenneth Schept
NHCN staff editor

TORONTO — Beaver Lumber, Canada's largest home improvement retailer, is about to strenghen its presence in the western part of that country with the acquisition of Crown Stores Limited.

The deal, for an undisclosed amount of cash, would give Beaver 15 Crown Mart stores in rural parts of Alberta and Saskatchewan provinces, as well as 11 larger HomeTown units in the cities of Calgary, Edmonton, Regina and Vancouver.

The Crown stores last year produced about $60 million (Canadian) in sales, according to Beaver Lumber president John Lacey, who said the Crown units would increase Beaver's square footage in

(Continued on page 86)

Home centers post modest same store sales gains in 2Q

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Five months ago, Stephen A. Lightstone believed 1986 would bring a welcome rebound in consumer shopping.

It seemed logical for Payless Cashways' chief financial officer. Interest rates were low. Housing starts were high. Like steel and flint, the two conditions should have sparked a fire under shoppers.

Results of the latest three months, however, have not encouraged this prognosis. The second quarter of 1986 wasn't terrible, but in only isolated pockets did the consumer express the shopping enthusiasm that was expected.

"I don't see the signs yet that the economy will do much better through the next quarter than it's doing now," said Lightstone. While housing starts and interest rates are still at levels that would seem favorable for business at home center chains, Lightstone noted that the economy in general has not responded. Gross national product and retail sales have fallen below forecasts.

Same store sales at Payless, the $1.4 billion chain based in Kansas City, Mo., increased 6% for the three months that ended Aug. 31, down from the 10% increase experienced during the three-month period that ended May 30.

Same store sales for a group of six publicly held home center companies rose 5.4% during the second quarter, ranging from a high of 7.0% at Hechinger to a low of 2.3% at Handyman. That represented an improvement over the 4.6% that the same six chains reported for the first quarter.

(Continued on page 86)

Same Store Sales Changes (%)

	Second Quarter 1986	First Quarter 1986
Hechinger	7.0%	2.0%
Handyman	2.3	3.6
The Home Depot	5.0	2.0
Lowe's	5.4	8.0
Payless Cashways	6.0	10.0
Scotty's	6.8	1.9
Average	5.4	4.6

Source: Company reports NHCN chart

Average same store sales at six representative home center chains rose to 5.4% for the quarter that just ended.

INSIDE

Perspectives: Home centers are focusing on business ethics to stem losses at the headquarters level. **21**
Merchandising: Improved grades of grass carpet are turning patios, decks, porches and pool areas into fully decorated living areas. **48**

Market Analysis: Louisville is a city of contrasts. Its flat economy lags behind the rest of the Sunbelt, yet companies like Payless and Levy's prosper. **43**
Ad & Marketing: Building material and hardware sales in top 250 markets surpass $53 billion mark. **59**

NEWSBREAKS

GRACE CONSOLIDATES RETAIL UNITS: W. R. Grace said Sept. 12 it would consolidate its Handy Dan and Handy City operations under the management of Channel Home Centers; Home Quarters Warehouse will be run separately. The decision is part of a broader cost-cutting move that will fold Grace's retail businesses into the firm's general business group while it continues negotiations to divest its retail holdings. Additionally, Grace announced Edward Tutun, retail chief, will retire Oct. 1, and be succeeded by Pedro Mata.

INDUSTRY UPDATE

Wickes acquires Homecrafters

SANTA MONICA, Calif. — Wickes Cos. said it closed on the purchase of Homecrafters Warehouse Sept. 5, which moves Wickes into a new state (Mississippi) and strengthens its position in Alabama with 13 more units. The purchase involved all 28 of the Homecrafters stores, which operate in six states. (*NHCN*, July 28).

A transition team of 20 executives, working with Homecrafters controller Talmadge A. Payton, was involved in the final paperwork necessary to bring the Homecrafters operation under the umbrella of Wickes Lumber, headquartered in Vernon Hills, Ill.

The company plans to close the Homecrafters office in Birmingham, Ala., once the transition is completed. Les Hagen, president of Wickes Lumber, will be responsible for running the acquired stores, which will operate as a subsidiary called Wickes-Homecrafters. The company said no decision had been made about renaming the stores.

Coast to Coast buys Buddies

DENVER — Coast to Coast, the $330 million wholesaler, purchased a seven-store Dallas hardware chain called Buddies last month, as part of a new growth plan.

Coast subsequently sold Buddies to a franchisor, but continues to ship the units through its warehouses.

Richard Bard, chairman of the wholesale outfit, said the acquisition of the $5 million chain was part of a larger plan to grow Coast to $500 million with 1,250 dealers by 1990 (*NHCN*, Aug. 25). The wholesaler plans to open 65 franchised units this year, a five-year record. With the acquisition of Buddies, Coast to Coast had 1,030 dealers.

Terms of the acquisition were not disclosed.

Payless breaks ground for DC

SEDALIA, Mo. — Payless Cashways Inc. broke ground August 29 for construction of a $15 million, 480,000-sq.-ft. Midwest distribution center in Sedalia, Mo.

This site was chosen from 31 sites in 20 cities investigated by the company.

In a prepared statement, David Stanley, Payless Cashways chairman and ceo said the 65-acre site in southwestern Missouri will become the company's principal national distribution center serving 130 of Payless' 171 stores from Ohio to Colorado and from Minnesota to the Rio Grande River. Construction is expected to be completed in the fall of 1987, the company said.

Stanley said the distribution center will stock 12,000 stockkeeping units, the majority of which used to be shipped to stores directly from suppliers. It will employ about 200 people.

Four Seasons to open 2d unit

SAN DIMAS, Calif. — Officials with Four Seasons Garden & Home Centers have set Oct. 22 for the debut of their second outlet slated to occupy 18,000 sq. ft. of the Canyon Shopping Center on San Dimas Canyon Road in this eastern Los Angeles County city.

Four Seasons opened its first unit May 3 in La Palma, Calif. (*NHCN*, May 19). President Phil Edwards said he expects to expand the fledgling chain by the addition of "two to three" units next year.

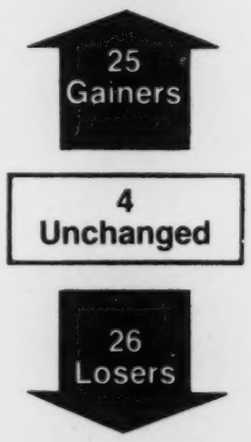
Stock performance lackluster

NEW YORK — Home center industry stocks experienced a relatively lackluster two-week period ended Sept. 5, as 25 issues gained, 26 declined and four were unchanged.

Color Tile followed a 28.2% gain in the previous two-week period with a 10.6% gain during the most recent period to close at $30.13. Supermarkets General, Rickel's parent, closed at $31, a 6.9% price gain, after reporting record second quarter earnings.

Some winners during the previous two-week period fell somewhat in the latest period: Hechinger A declined 16.1%, Hechinger B was down 13.6% and National Hardgoods fell 2.5%.

(See financial table, page 84)



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Diamond to shutter five stores, kicks off remerchandising effort

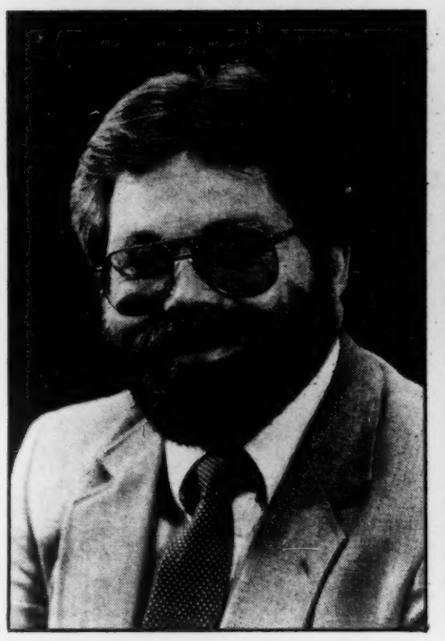
By an NHCN staff editor

CARROLLTON, Tex.— Financially beleaguered Diamond Lumber, the 96-unit contractor-oriented retailer based here, is closing five money-losing stores and is kicking off a major showroom expansion program with the October "grand reopening" of two stores.

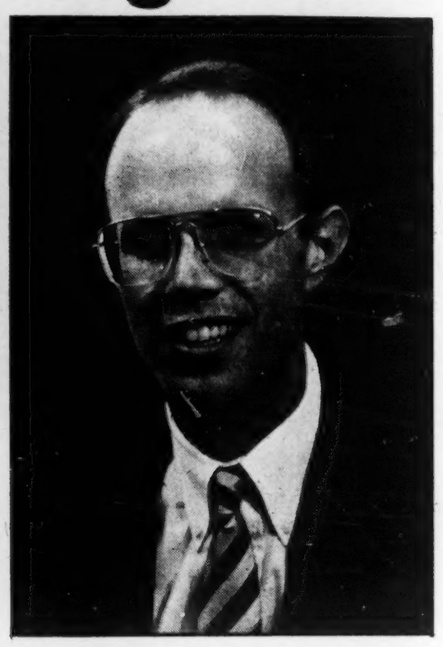
Stores to be shuttered or sold are located in Riverton, Wyo.; Brighton and Gunnison, Colo.; Lubbock, Tex.; and Anderson, Calif. The chain's store count will lower to 91 units.

Simultaneously, two stores—in Oroville, Calif., and Lees Summit, Mo.—are being remerchandised and enlarged as part of the debut of a reformatting program intended to strengthen the chain's ability to provide total project sales to consumers, who now make up only about 20% of Diamond's $300 million volume.

And, in a related development, the company is bolstering its DIY executive staff with the late August hiring of former Supply One gm, Eric Peterson, a home center industry veteran, who is assuming the newly created post of vp-Western operations, overseeing 41 Diamond outlets in California, Idaho and Washington state.



Eric Peterson, vice president-Western operations.



Doug Berard, Director of store systems

Another new executive is Doug Berard, a former Payless Cashways store manager in Springfield, Ill., who is Diamond's director of store systems based in Carrollton.

Summarizing the chain's activity, president Harlan Seats said, "We are hiring people, remodeling, increasing the size of the stores and taking markdowns on merchandise when we shut down yards.

"These things may be tactically wrong—they defer the time it will take to stop some of the bleeding—but they are strategically correct," Seats said. "Any time a company is not making money, you're on the hot seat."

Seats is the former executive vp at Payless Cashways who was hired late last year by Diamond parent Michigan General to turn the profit picture at Diamond around.

Closing unprofitable units

Seats said the stores to be closed were chosen because they had "lost one-third of a million dollars in the last seven months." He said they totally accounted for $500,000 in accounts receivable and $1.5 million in inventory.

Noting that Diamond re-

(Continued on page 80)

Worthington closes Townley subsidiary

By an NHCN staff editor

MENTOR, Ohio — In an apparent cost-cutting move, The George Worthington Co. closed down its Denver-based subsidiary, Townley Hardware, Sept. 8 and fired the 60 employees.

"I expected it," said Ken Renner, general sales manager of Townley, who received news of the closing Sept. 7 from Worthington vice chairman Dexter Rolla."I'm just surprised it didn't happen last week." Renner was with Townley for 23 years.

Worthington was under pressure to act, as the wholesaler here has been reeling under severe financial problems that include an inability to raise enough capital to purchase inventory and the recent collapse of negotiations with bank lenders for new financing (*NHCN*, Sept. 8).

At press time, Worthington "was pursuing additional financing," according to Kenneth Hrovat, Worthington's president. He would not comment on what options the wholesaler was weighing, or whether any of the company's employees have been laid off.

Renner said Townley had been cutting back on its employees for the last nine months, trimming the work force from 125 on Jan. 1 to 60 when operations were suspended.

Townley's account base, as many as 1,200 retail outlets in 1985, had dwindled to less than 900 at the closing, Renner said. Townley's and Worthington's fill rates fell to 50% over the last 18 to 24 months, dealers and suppliers said.

"Whatever loyalty there was to Townley went out the window when the fill rate went out the window," said Jim Beall, comptroller of the five Alpine Lumber stores in Denver. "When the quality of service went down, we found another supplier."

Mike Maloney, store manager of the one-unit Crissey-Fowler Lumber Co., Colorado Springs, Colo., with 1984 annual sales of $32 million, said his firm switched to Hardware Wholesalers Inc. as its primary supplier because of Townley's declining fill rate.

Scotty's scales down expansion plans

By an NHCN staff editor

WINTER HAVEN, Fla. — Scotty's announced this month that it has scaled back its aggressive new store expansion plans and has closed six old stores in markets where the company has opened or intends to open new facilities. But, the 127-store retailer said it still expects to meet or exceed its overall goal of adding 10% in new store square footage this year.

The change reduces to four the number of existing stores to be retrofitted to Scotty's new store format this year. Previously, the company had announced that 10 existing stores would be remodeled this fiscal year, ending June 1987.

"This adjustment reflects management's concern about the impact we are feeling on earnings from our aggressive expansion and the fact that the company exceeded our 10%

(Continued on page 86)

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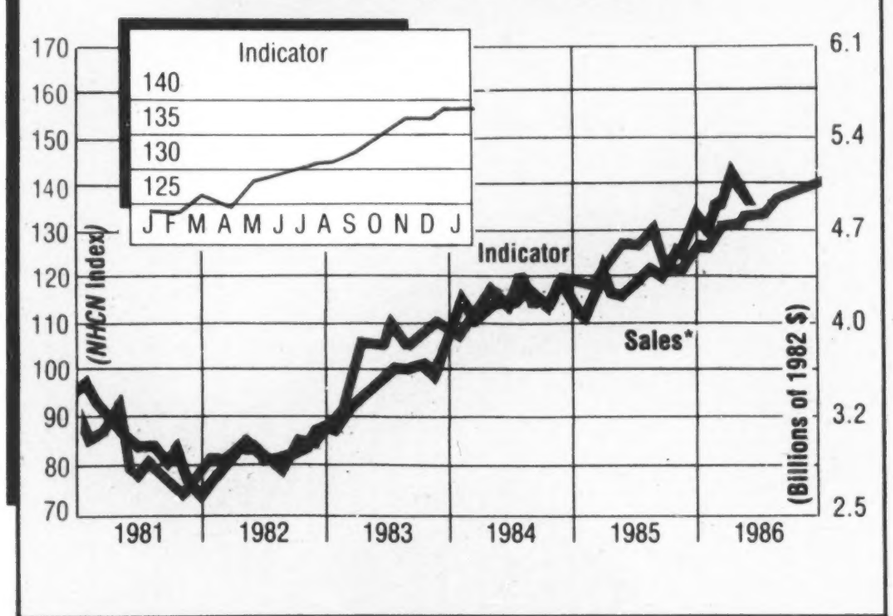
BUSINESS WATCH



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting an expansion in building material sales in the fourth quarter. Resales were up in the second quarter and will increase building material demand.

Material forecast adjusted down to 11% in 1986 and 9% in 1987

By Richard E. Mount
Special to NHCN

Due to recent revisions in Commerce Department numbers, which indicate 1985 was a stronger year after adjusting for inflation than was initially reported, the forecast for building material sales growth has been adjusted downward slightly.

Building material and supply store sales will increase 11% in 1986 and 9% in 1987, a revision from the 12% and 10% gains forecast as of a month ago. In addition, building material sales and price increases were not as strong in the second quarter as the preliminary government data indicated.

Our forecast for building material sales in the second half of 1986 and throughout 1987, after adjustment for inflation, has not been changed. The *National Home Center News* Leading Indicator calls for modest gains for the rest of this year from favorable patterns in housing starts, resales and interest rates in recent months.

Richard E. Mount

The outlook for many other consumer markets has been scaled back, however, from mounting debt levels, changes in the tax code and employment weakness. In spite of the drop in the dollar against most major trading partners, the dollar has remained strong versus the Korean, Hong Kong, Canadian and Mexican currencies, keeping United States manufacturers on the defensive.

Weak economy ahead

Merrill Lynch Economics, in contrast to many members of the forecasting fraternity, is anticipating weakness in consumer spending during the

(Continued on page 13)

General Business Conditions

		1985		1986				1987		1985	1986	1987
		QIII	QIV	QI	QII	QIII	QIV	QI	QII			
***NHCN* Leading Sales Indicator** (January 1980 = 100)		121.0	123.4	124.7	127.9	132.1	136.6	138.8	139.9	118.5	130.3	140.8
General Economic Outlook												
	GNP $1982 Billion	3,603.8	3,622.3	3,655.9	3,661.5	3,676.1	3,672.5	3,683.2	3,701.9	3,585.2	3,666.5	3,716.0
	Real Disposable Income $1982 Bil.	2,524.7	2,540.7	2,581.2	2,627.4	2,631.0	2,629.8	2,638.4	2,647.2	2,528.0	2,617.4	2,654.1
	Housing Permits (000 SAAR)	1,762	1,741	1,834	1,822	1,750	1,650	1,550	1,610	1,739	1,767	1,621
	Housing Starts (000 SAAR)	1,688	1,773	1,988	1,914	1,820	1,720	1,650	1,700	1,742	1,860	1,710
	New Home Sales (000 SAAR)	681	711	696	789	789	790	725	725	686	780	731
	Resales (000 SAAR)	3,360	3,500	3,257	3,470	3,475	3,400	3,450	3,450	3,216	3,401	3,475
	Prime Rate %	9.5	9.5	9.4	8.6	7.8	7.4	7.0	6.8	9.9	8.3	6.7
	Mortgage Rate % (HUD)	12.1	11.8	10.8	10.1	10.0	9.5	9.3	9.3	12.5	10.1	9.3
	Consumer Price Index (1967 = 100)	323.0	326.5	327.7	326.3	328.0	330.8	333.7	336.8	322.1	328.2	338.6
	Producer Price Index (1967 = 100)	293.1	296.4	292.0	288.0	288.4	290.8	293.6	296.7	293.9	289.8	298.4
	New Housing Affordability 1980-100)	120.7	120.5	128.6	127.1	128.9	132.2	133.4	135.4	117.6	129.2	134.8
Residential Alterations and Repairs												
Current	**Total $ millions SAAR**	77,800	90,600	84,965	87,508	90,543	92,903	94,567	96,069	80,267	88,980	97,902
	Maintenance and Repair	33,200	39,800	37,586	38,675	39,781	40,907	41,683	42,100	35,358	39,237	42,855
	Additions and Alterations	29,800	30,400	29,910	30,833	31,861	32,543	32,869	33,754	28,775	31,287	34,305
	Major Replacements	14,700	20,400	17,470	18,001	18,901	19,453	20,015	20,215	16,134	18,456	20,742
Constant												
	Maintenance and Repair	19,385	22,780	21,300	21,700	22,100	22,500	22,700	22,700	20,719	21,900	22,988
	Additions and Alterations	17,400	17,400	16,950	17,300	17,700	17,900	17,900	18,200	16,775	17,463	18,400
	Major Replacements	8,583	11,676	9,900	10,100	10,500	10,700	10,900	10,900	9,491	10,300	11,125
Retail Trade Activity												
Current	**Total $ millions SAAR**	1,399,296	1,388,316	1,404,932	1,419,968	1,433,024	1,464,688	1,486,994	1,511,810	1,373,941	1,430,653	1,522,036
	Total Minus Automobile	1,066,248	1,082,244	1,095,360	1,098,648	1,098,004	1,125,010	1,143,813	1,163,970	1,061,148	1,104,255	1,173,224
	Building Material, Hardware, Garden Supply, Mobile Home	74,328	78,024	83,904	85,208	80,365	81,592	84,105	85,539	74,062	82,767	85,920
	Building Material and Supply	53,736	56,976	61,180	62,612	59,101	55,400	60,879	63,310	53,841	59,573	65,173
	Hardware	11,116	11,572	11,416	11,404	11,719	11,889	12,211	12,441	11,092	11,607	12,477
Constant	**Total Millions $1982 SAAR**	1,308,139	1,288,244	1,306,567	1,337,066	1,336,000	1,352,000	1,359,000	1,368,000	1,282,772	1,332,908	1,370,250
	Total Minus Automobile	1,003,997	1,009,867	1,027,361	1,048,995	1,038,000	1,053,000	1,060,000	1,068,000	997,299	1,041,839	1,071,000
	Building Material, Hardware, Garden Supply, Mobile Home	70,743	73,605	78,763	82,242	76,800	77,200	78,790	79,340	70,215	78,751	79,290
	Building Material and Supply	51,144	53,749	57,422	60,432	56,200	51,800	56,360	58,030	51,035	56,464	59,410
	Hardware	10,580	10,918	10,717	11,008	11,200	11,250	11,440	11,540	10,507	11,044	11,515
	Building Materials % of Total Less Automobile ($Current)	5.04	5.26	5.59	5.70	5.38	4.92	5.32	5.44	5.07	5.39	5.56

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
September 5, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

Building material sales forecast revised to 11% in '86

(Continued from page 12)
second half of 1986. Many expect a spurt in demand as consumers get their last chance at deductible sales taxes and interest expenses. However, the changes in the tax codes will not send buyers out in force because only 35% of taxpayers itemize, only 17% of those entitled to sales tax deductions take more than the amount allowed in the tables, and some purchases will be made at the expense of others.

Single-unit housing starts

For the housing industry, weakness in the economy will be a mixed blessing. Income gains will not be as strong but mortgage rates will be lower, making housing more affordable. In recent months, rates rose from 10% to almost 11% in some areas, but the economic slowdown will lower mortgage rates to 9.5% during the fourth quarter.

Single-unit starts have softened from their first quarter pace of 1.25 million units. Starts, at the beginning of the year, were helped by favorable weather and a sharp drop in mortgage rates. By the spring, problems developed in the energy-producing states, interest rates rose and weather returned to a more normal seasonal pattern.

Single-unit housing starts will remain near 1.2 million units through 1987 in spite of the soft economy. This will mark the fifth year of 1.1 million to 1.2 million single-unit starts, a strong market for building materials. As mortgage rates drop back to single-digit levels, consumer demand will be rekindled. Demographic pressures on starter homes remains strong as the end of baby boom enters the home buying stage.

Multiunit housing starts

Multiunit starts have fallen from an annual rate of 746,000 in the first quarter of 1986 to 670,000 in the second and are headed towards 475,000 by the end of next year. Multiunit starts for the year will total 650,000 in 1986 and 500,000 in 1987.

The market is overbuilt in many areas of the country. Vacancies of rental units are at their highest since 1967. Changes in the tax-code in 1981 shortened depreciation schedules and investors rushed into the market, often with tax-sheltered, syndicated projects. Fears of tax law change led to a surge in multifamily projects in late 1985 and early 1986 financed by municipal bonds.

The coming changes in the tax code will make the negative impact of the overbuilt multiunit market worse. The depreciation schedule has been lengthened from 19 years to 27. Losses in real estate will no longer be deductable from income, causing tax-oriented projects to decline in value.

Building material sales

Building material retail sales will not be impacted as much as total housing starts through 1987. Merrill Lynch continues to expect sales to increase 11% in 1986 and 9% in 1987. The *NHCN* Leading Indicator, based in part on the strength in starts and resales in the first half of 1986, is calling for strong building material sales through year end.

Building material retail sales are more concentrated in the single-unit market than the softening multiunit sector. The proposed tax code change will continue to allow the deductability of interest payments on a second mortgage if it is used for home improvements. This will encourage additional building material sales as families opt to improve existing homes. The new code, however, limits the total amount of the first and second mortgage for the interest to be tax deductible.

Stanley sets plans for new hand tool DC

By an NHCN staff editor

CHARLOTTE, N.C. — Stanley Works has finalized an agreement to begin construction on a 219,000-sq.-ft. distribution center here to service its Hand Tool division.

The DC, which is expected to cost $5 million, is the second such facility to be opened by the New Britain, Conn., company as part of Stanley's corporate strategy to improve its distribution network to key accounts. Its Hardware division has already opened a DC in the Richmond, Va., market, and a third DC is planned for an as yet undetermined market.

The Charlotte site, which will be constructed by Trammell Crow Co. as part of an industrial park, is expected to be operational by the second quarter of next year. The location was deemed as ideal by Stanley to service the Hand Tool division's Shelbyville, Tenn., and Cheraw, S.C., manufacturing plants.

The location was also selected "to reduce the amount of road time it takes us to get our products to market," said C. Stewart Gentsch, president and general manager of the division.

He estimates that distribution from this plant could cut as much as two days off product delivery.

The Carolinas have become the "in" places for hardlines distribution, as Cotter & Co. has just opened its newest DC in Henderson, N.C., and both Ace Hardware and Hardware Wholesalers Inc. will be opening units in and around Columbia, S.C.

"The growth of the customer base in the southest and southwest has a lot to do with all this activity," explained Gentsch.

"Plus, Charlotte has become a major air hub, is well-connected with interstate highways, has a good workforce, and its land costs are competitive."

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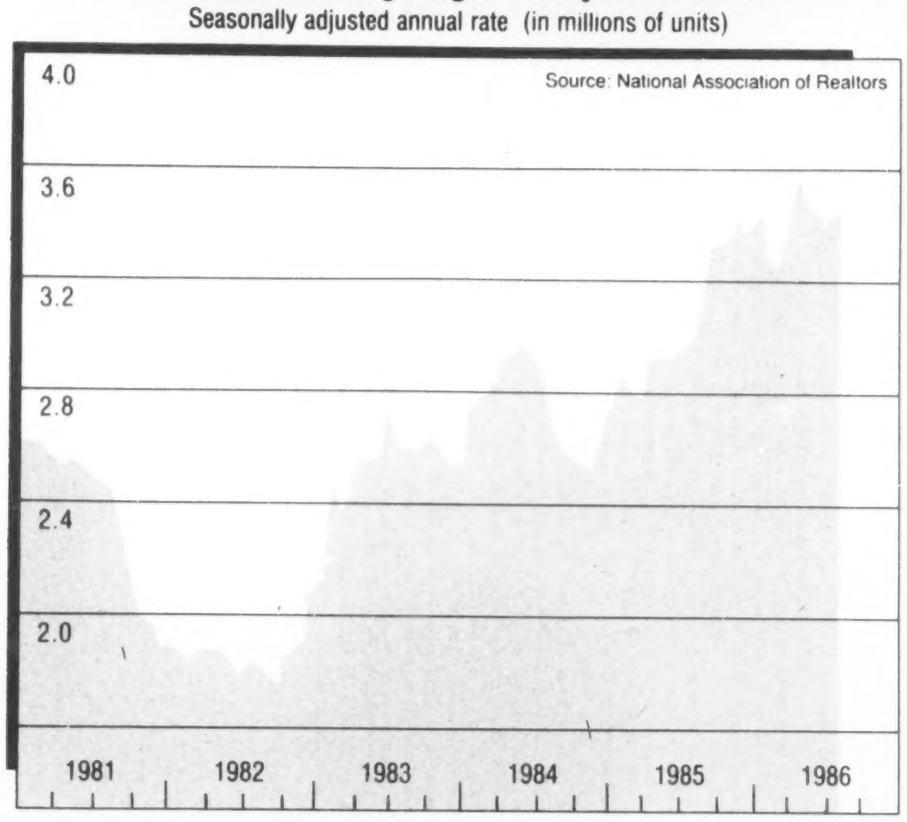
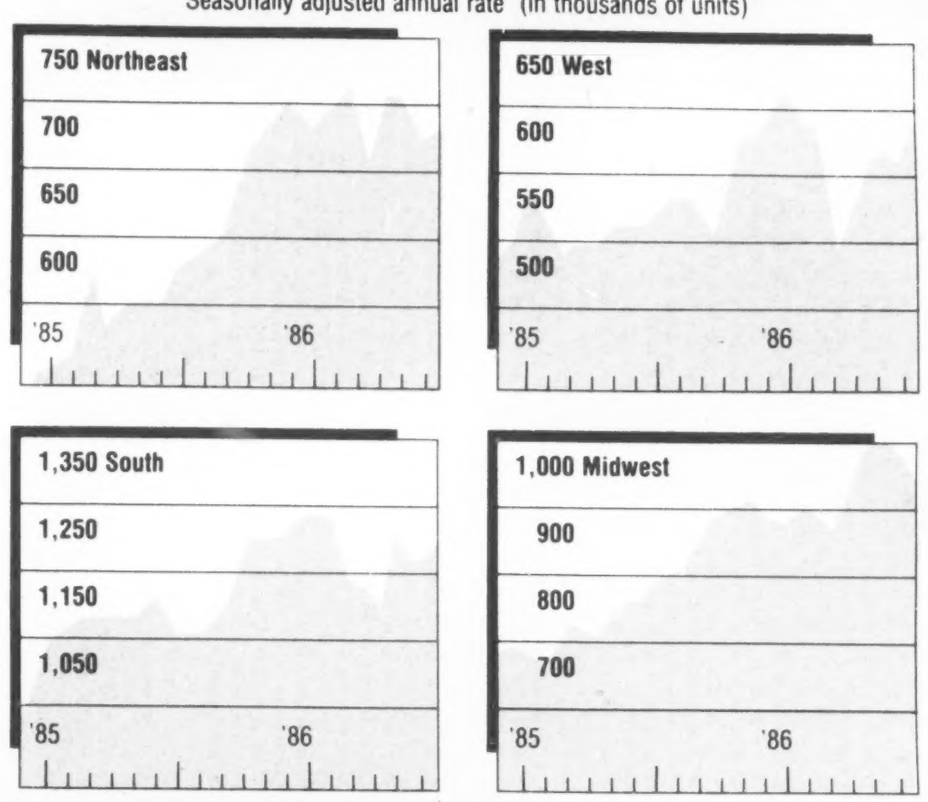
HOUSING WATCH

National existing single-family home sales
Seasonally adjusted annual rate (in millions of units)



Regional existing single-family home sales
Seasonally adjusted annual rate (in thousands of units)



Housing resale pace edges up 1.8% in July

By an NHCN staff editor

NATIONAL REPORT — The housing resale pace edged up 1.8% in July to 3.45 million units, seasonally adjusted, recovering the 1.1% loss posted in June, said the National Association of Realtors (NAR).

Although the sales gain was small in July, activity was 8.8% greater than the July 1985 rate, a factor NAR president Clark E. Wallace attributes to lower mortgage rates and pent-up demand from earlier this decade.

The Federal Home Loan Bank Board said the effective rate for loans closed on resales was 10.28% in July, compared to 11.47% in July 1985.

The median-priced resale home was $82,400 in July, down $200 from June but 7.4% higher than a year ago. NAR expects this figure to increase 8% this year and moderate to the 5% level in 1987. Homes appreciated at a 4.3% rate last year.

The sales of previously occupied homes rose in three of the four regions, the NAR reported. Home prices fell in all but one region.

Median sales price
(in thousands of dollars)

	July[p]	June[r]	May	April
U.S.	82.4	82.6	83.2	80.2
Northeast	106.3	109.7	104.9	105.1
South	79.0	80.0	82.9	78.4
Midwest	64.1	65.2	64.6	66.2
West	105.7	103.0	104.7	96.6

Source: National Association of Realtors
[p]-preliminary [r]-revised

The Midwest was the only region to post a sales decline in July. Activity in the 12-state region fell 2.1% to 950,000 units, seasonally adjusted, but was still 4.4% greater than its July 1985 pace. Home prices also sagged, dipping $900 on a median-priced home, to $64,100 in July. Despite the loss, home prices were still 6.3% ahead of the same month in 1985.

Sales activity in the Northeast, Midwest and South rose in July with the West posting the biggest gains, the NAR reported.

The West recorded a 5.3% sales increase from June, to 600,000 units, seasonally adjusted, a 20% surge from July 1985. This region also posted the only monthly gain in home price, rising $2,700 in July to a median $105,700, 11.2% greater than the $95,000 median-priced home recorded one year ago.

Annual home price appreciation was highest in the Northeast, however. Home prices there rose 20% from July 1985, to a median $106,300. But prices fell from June to July by $3,400.

Sales in the Northeast inched up 1.5% in July to 680,000 units, seasonally adjusted, a 9.7% increase from last year's month.

The South charted a 3.4% sales gain in July, to 1.22 million units, seasonally adjusted, a 7% gain over July 1985. Home prices fell $1,000 from June, to $79,000, a 2% increase from the 1985 month.

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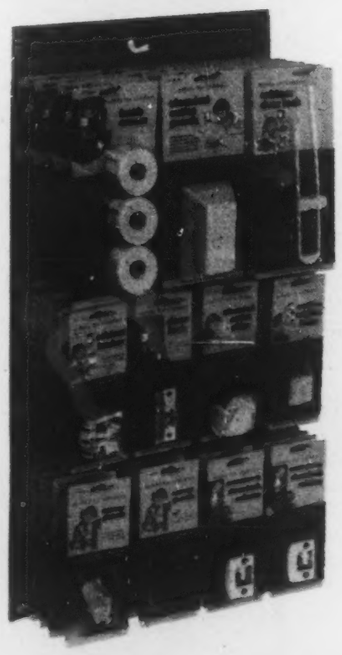

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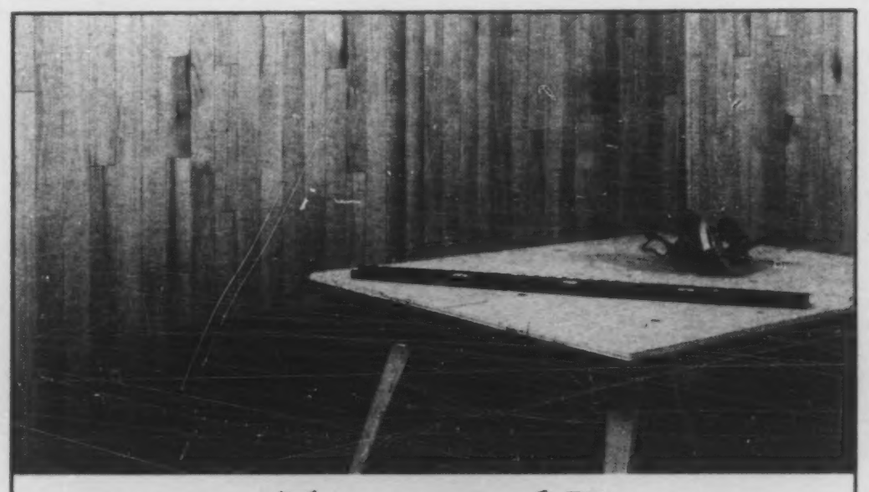

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LUMBER REPORT

Lumber price increase expected due to British Columbia strike

By Hawk Furman
Special to NHCN

No one expected a strike by the lumber workers in British Columbia this year. The more militant pulp and paper workers' union settled its contract talks without as much as a whimper earlier in the year and that union usually set precedent for the International Woodworkers of America union to follow. At this writing, although some companies have settled with the union, the strikes have escalated to shut down over 60 mills and put out of work over 18,000 workers.

Couple the lack of production with the threat of a countervailing duty, and the possibility of further price escalation in lumber becomes a reality.

Wages are not the issue being fought by the union. The I.W.A. has agreed to no wage increases but is adamant on the issue of "contracting out." The I.W.A. has lost 6,000 members in the past few years due to technological improvements which have eliminated jobs and contracting out former union jobs to outside parties.

The union wants a clause in the contract that prohibits companies from contracting out jobs held by its members. The union wants assurances that, once a union employee leaves his position, the same position will be filled by another union worker. Currently, management can replace a worker by contracting with a company or individual to fill that union job.

Management has also forced some union members to take lesser paying or less desirable jobs than they previously had by contracting out the employees' former jobs. Management is just as obstinate as the union on the "contracting out" issue because they want to maintain their competitiveness in the marketplace, and contracting out gives them flexibility and cost savings.

As an example, management might want to contract out mill maintenance which would save them paying overtime on weekends and holidays which they must pay to their current union employees.

British Columbia produces 60% of the lumber produced in Canada. With close to half the production capacity closed down for an extended period of time, the balance between supply and demand on softwood lumber in North America is being altered. The strike is keeping an estimated 30,000,000 bd. ft. of wood off the market every day.

Quietly, western Canadian spruce is being depleted from the eastern Canadian reloads while cargo lumber inventory on the eastern seaboard has dropped from over 200 million bd. ft. in July to under 160 million bd. ft. in late August. At these levels, many distributors are developing holes in specific widths and lengths of lumber.

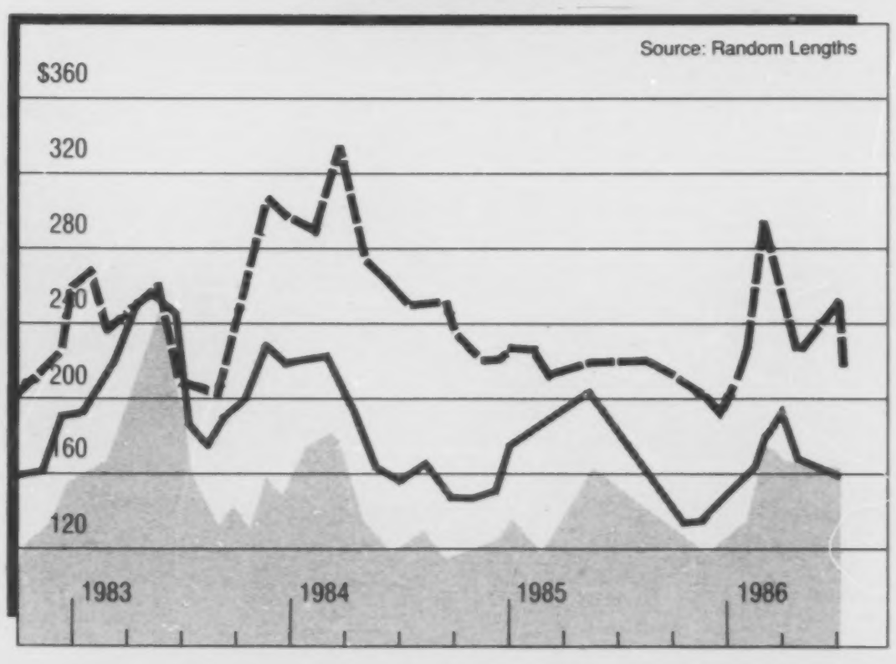
It appears the informal talks between U.S. and Canadian trade representatives on the western red cedar shingle and shake tariff have broken down. Meanwhile, the preliminary decision on the countervailing duty is to be made on Oct. 9.

It appears now that there will be a duty. Chances are good that the 27% asked for will be softened. Some "experts" predict a tariff in the 15% range. On $200 per thousand bd. ft. lumber, this amounts to $30 per thousand board feet or about $2,000 a carload.

The oversupplied and cheaply priced lumber of the past few years might, in the short term, become undersupplied and very expensive because of the supply disruption in British Columbia and countervailing duty.

Commodity close-up

Studs and Boards
Average mill monthly prices



Price points for studs and board have had uneven performances since May. Ponderosa pine #3 1x12 hit $246 a thousand board feet in June before dropping to a July average of $235. KD Southern pine (Western) 2x4 studs continued sliding from a March high of $201 a thousand board feet to a July average of $170 while KD s-p-f 2x4 held steady in June and July at $171 a thousand board feet.

L-P inks deal to buy timberland for $95M

PORTLAND, Ore. — Louisiana-Pacific Corp. has signed a nonbinding letter of intent to purchase all the California properties of Timber Realization Company for $95 million.

Timber Realization Company is a publicly traded limited partnership formed to operate and provide for the orderly disposition of timberland and related properties transferred to it by Masonite Corporation.

The purchase is subject to the approval of L-P's board of directors and a majority of Timber Realization Company's unit holders, to all necessary governmental approvals and a definitive purchase agreement.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.
Two weeks ended 8/28

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Sept. '86	$188.20	$171.50	$186.30	$174.70	1,520	$188.20	$145.50
Nov.	$181.60	$162.20	$177.40	$166.80	3,558	$181.60	$146.00
Jan. '87	$178.70	$164.00	$175.10	$167.40	770	$178.70	$150.00
March	$178.30	$165.70	$174.30	$168.60	268	$178.30	$153.00
May	$177.10	$166.50	$173.50	$171.00	106	$177.10	$155.50
July	$177.00	$167.50	$174.00	$171.50	32	$177.00	$155.10
Sept.	$176.50	$168.50	$175.00	$173.50	13	$176.50	$165.00

Total Contract Vol. (Through 8/28): 23,622 **Previous Two Weeks: 16,597**
Total Open Interest (As of 8/28): 6,267 **Previous Week: 5,273**
Cash Price: $193.06 **Previous Week: $182.28** **Year Ago: $144.**

CME—Chicago Mercantile Exchange
*Figures for Thursday, 8/28
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

ADVERTISING & MARKETING

Top metro markets exceed $53B in '85 sales

By an NHCN staff editor

NATIONAL REPORT — Building materials and hardware store sales in the nation's top 250 metro markets rose 9.5% to exceed $53 billion in 1985, according to Sales & Marketing Management's *1986 Survey of Buying Power.* Total U.S. building materials and hardware store sales were $74.5 billion last year, approximately 9% greater than the prior year.

The Los Angeles-Long Beach area continued to lead the way, posting nearly $1.9 billion last year, an 11.4% increase from the previous year for that super-competitive Southern California market, the battleground for such chains as Builders Emporium, HomeClub, Builders Square, Home Depot and National Lumber.

The survey by the New York-based publication, which yearly tracks demographic trends in U.S. markets, reflected last year's highly volatile marketplace developments that saw the Rustbelt rebound, the Oilbelt run dry and the birth of a new consumer group called the Baby Bust generation. Yet, the nation's largest markets for building materials and hardware sales were fairly static, with the top 14 metro markets remaining in exactly the same order as the year before.

Houston retained its No. 2 ranking with $1.42 billion in building materials and hardware store sales last year, up 7.6% from the previous year. But other areas like Chicago, $1.36 billion (up 8.8%); New York, $1.35 billion (up 11.1%); Philadelphia, $1.31 billion (up 14.3%); Boston, $1.22 billion (up 12%); and Detroit, $1.1 billion (up 9.9%), closed the gap somewhat on oil-depressed Houston.

And, two markets joined the $1 billion club in building materials and hardware store sales for the first time. No. 8 Atlanta held its ranking with $1.09 billion, a 17.6% increase, and the Nassau-Suffolk metro area again finished ninth with $1.02 billion, a 12.6% rise.

The only newcomer to the top 15 markets last year was Denver, which exchanged places with No. 16 Oklahoma City.

The top 50 building material and hardware store sales markets totaled $31.4 billion last year, a 10.1% gain from 1984.

Rustbelt rebound

The rebound in the Rustbelt can be seen more clearly in population and income trends, which the publication also tracks. According to *S&MM*, the Great Lakes region (Illinois, Indiana, Michigan, Minnesota, Ohio, Pennsylvania and Wisconsin) represents just one-sixth of the land area of the continental U.S., yet contains one-third the nation's population and labor force.

In terms of spending power, these Rustbelt states accounted for 33% of total U.S. personal income and 30% of the nation's retail sales, according to the publication. Minneapolis-St. Paul, Indianapolis and the Allentown-Bethlehem, Pa., area led the Midwest metros in population increase over the last five years.

Baby Busters

S&MM also made note of the reduced percentage of younger persons in the nation. In 1980, 13.3% of the total U.S. population were aged 18 to 24. By 1990, that figure is projected to fall to 10.3% and to just 9.2% by the year 2000. Metro areas with the largest percentage of their population in the 18-24 age bracket last year were Bryan-College Station, Tex. (32.8%); Jacksonville, N.C. (31.3%); and Lawrence, Kan. (29.1%).

In regional population growth, over the past five years, the Pacific and South Atlantic states showed the greatest percentage gains at 8.8% and 8.2%, respectively.

The bucks stop here

The Nassau-Suffolk metro area repeated as the most affluent market in the U.S. with a 1985 median household effective buying income of $38,289. According to *S&MM*, median effective buying income divides the markets income distribution into two equal parts, with one-half of the households above it and the other half below it—a reliable indicator of the area's relative income level because it is less likely to be skewed by statistical oddities.

Bridgeport-Stamford-Norwalk-Danbury, Conn., at $36,886; San Jose, Calif., at $35,702; and Middlesex-Somerset-Hunterdon, N.J., at $35,302 followed Nassau-Suffolk in median effective buying income.

Other demographic trends noted by the publication include a listing of the markets with the greatest percentage of their populations consisting of senior citizens. It comes as little surprise that most metros in Florida have a median age higher than the U.S. median of 31.9 years. In Charlotte, Fla., 59.3% of the population is aged 50 or above; in Pasco, 53.5%; in Citrus, 53.2%; Sarasota, 50.9%; and Hernando, 48.7%. Other elderly markets in the U.S. include Llano, Tex., with 56.6% of its population aged 50 or older; Sierra, N.M., 50.6%; and Baxter, Ark., 47.5%.

The *S&MM* data also shows the importance of minorities to marketing strategies. The leading black metro areas in total population in 1985 were New York (2.1 million), Chicago (1.4 million) and Los Angeles-Long Beach (1.0 million). The leading Hispanic metros were Los Angeles-Long Beach (2.5 million), New York (1.6 million) and Miami-Hialeah (739,600).

Building materials and hardware store sales

Area	($000)	Rank
Los Angeles - Long Beach	1,858,637	1
Houston	1,415,795	2
Chicago	1,364,090	3
New York	1,345,601	4
Philadelphia	1,313,137	5
Boston - Lawrence - Salem - Lowell - Brockton	1,217,998	6
Detroit	1,099,905	7
Atlanta	1,087,714	8
Nassau - Suffolk	1,019,174	9
Dallas	903,173	10
Washington	819,209	11
Minneapolis - St. Paul	764,977	12
St. Louis	760,142	13
Anaheim - Santa Ana	688,651	14
Denver	674,983	15
Oklahoma City	633,012	16
Riverside - San Bernardino	601,610	17
Phoenix	580,144	18
Tampa - St. Petersburg - Clearwater	577,523	19
Baltimore	543,893	20
Oakland	526,672	21
Pittsburgh	524,274	22
San Diego	522,138	23
Fort Worth - Arlington	518,494	24
San Francisco	503,287	25
Newark	501,972	26
Miami - Hialeah	501,871	27
Seattle	496,047	28
San Antonio	463,007	29
Kansas City	447,931	30
Austin	447,293	31
Bergen - Passaic	436,631	32
New Orleans	425,131	33
Sacramento	423,999	34
Cleveland	416,287	35
San Jose	403,358	36
Charlotte - Gastonia - Rock Hill	390,446	37
Orlando	371,199	38
Indianapolis	366,872	39
Cincinnati	366,273	40
Norfolk - Virginia Beach - Newport News	347,184	41
Hartford - New Britain - Middletown - Bristol	328,151	42
Columbus, Ohio	322,479	43
Bridgeport - Stamford - Norwalk - Danbury	317,631	44
Tulsa	304,185	45
Anchorage	302,872	46
Monmouth - Ocean	302,384	47
Fort Lauderdale - Hollywood - Pompano Beach	296,286	48
Middlesex - Somerset - Hunterdon	295,029	49
Salt Lake City - Ogden	291,980	50
Total Top 50	**31,430,731**	
Greensboro - Winston-Salem - High Point	286,961	51
Milwaukee	286,075	52
Baton Rouge	270,760	53
Rochester, N.Y.	254,339	54
West Palm Beach - Boca Raton - Delray Beach	248,083	55
Jacksonville, Fla.	239,674	56
Providence - Pawtucket - Woonsocket	235,435	57
Portland, Ore.	232,267	58
Louisville	229,753	59
New Haven - Waterbury - Meriden	228,977	60
Albany - Schenectady - Troy	228,187	61
Raleigh - Durham	218,795	62
Greenville - Spartanburg	218,326	63
Omaha	217,535	64
Richmond - Petersburg	216,593	65
Akron	214,912	66
Nashville	208,814	67
Grand Rapids	205,364	68
Knoxville	204,501	69
Dayton - Springfield	201,515	70
Little Rock - North Little Rock	198,493	71
Memphis	197,909	72
Las Vegas	196,440	73
Harrisburg - Lebanon - Carlisle	190,279	74
Scranton - Wilkes-Barre	189,690	75
Springfield, Mass.	188,731	76
Tacoma	185,522	77
Buffalo	184,557	78
Wichita	184,342	79
Birmingham	176,650	80
Syracuse	174,159	81
Lafayette, La.	170,989	82
Allentown - Bethlehem	167,447	83
Portsmouth - Dover - Rochester	158,720	84
Albuquerque	157,400	85
El Paso	156,507	86
Corpus Christi	154,516	87
Worcester - Fitchburg - Leominster	154,049	88
Shreveport	153,249	89
McAllen - Edinburg - Mission	152,696	90
Santa Rosa - Petaluma	150,164	91
Beaumont - Port Arthur	148,821	92
Gary - Hammond	148,331	93
Tucson	147,348	94
Odessa	145,807	95
Lancaster	145,176	96
Wilmington, Del.	142,800	97
Oxnard - Ventura	141,524	98
Toledo	138,909	99
Fresno	138,778	100
Total Top 100	**41,017,600**	
Lakeland - Winter Haven	138,667	101
Manchester - Nashua	138,226	102
Lake Charles	138,053	103
Columbia, S.C.	137,404	104
Bakersfield	137,136	105
Charleston, S.C.	137,068	106
Colorado Springs	137,041	107
Midland, Tex.	135,939	108
Santa Barbara - Santa Maria - Lompoc	135,195	109
Sarasota	133,540	110
Amarillo	132,157	111
Portland, Me.	131,352	112
Flint	130,025	113
Lubbock	129,607	114
Lake County, Ill.	129,451	115
Abilene	129,091	116
York	127,043	117
Johnson City - Kingsport - Bristol	125,964	118
Mobile	123,944	119
Fort Pierce	121,436	120
Canton	120,050	121
Augusta	119,489	122
Fort Myers - Cape Coral	118,434	123
Youngstown - Warren	116,287	124
Melbourne - Titusville - Palm Bay	116,025	125
Galveston - Texas City	115,762	126
Daytona Beach	115,608	127
Saginaw - Bay City - Midland	114,438	128
Aurora - Elgin	112,065	129
Atlantic City	111,655	130
Lansing - East Lansing	111,580	131
Evansville	110,145	132
Ocala	108,996	133
Honolulu	108,834	134
New Bedford - Fall River - Attleboro	106,923	135
Des Moines	106,500	136
Brownsville - Harlingen	106,435	137
Stockton	104,721	138
Boulder - Longmont	101,100	139
Jersey City	100,009	140
Duluth	99,810	141
Reno	99,286	142
Fort Wayne	99,161	143
Modesto	98,107	144
Vallejo - Fairfield - Napa	97,614	145
Orange County, N.Y.	97,477	146
Chattanooga	97,173	147
New London - Norwich	96,883	148
Santa Cruz	95,117	149
Hickory	94,399	150
Total Top 150	**46,866,022**	
Pensacola	93,722	151
Davenport - Rock Island - Moline	92,976	152
Longview - Marshall	92,188	153
Charleston, W.Va.	92,104	154
Salinas - Seaside - Monterey	90,387	155
Waco	88,961	156
Fort Collins - Loveland	88,736	157
Asheville	88,585	158
Brazoria	87,925	159
Ann Arbor	87,681	160
Madison	87,227	161
Jackson, Miss.	85,857	162
Houma - Thibodaux	85,762	163
Tallahassee	85,631	164
Spokane	85,399	165
Huntington - Ashland	84,969	166
Visalia - Tulare - Porterville	84,825	167
Rockford	84,605	168
Peoria	84,509	169
Joliet	83,573	170
St. Cloud	83,120	171
Trenton	77,991	172
Springfield, Mo.	77,977	173
Wichita Falls	77,364	174
Appleton - Oshkosh - Neenah	77,292	175
Fort Smith	77,087	176
Johnstown	76,625	177
Macon - Warner Robins	76,100	178
Billings	75,175	179
Lexington-Fayette	74,900	180
Poughkeepsie	74,789	181
Utica - Rome	74,080	182
Tyler	73,713	183
Fayetteville, N.C.	71,522	184
Gainesville	70,749	185
Bryan - College Station	70,723	186
Burlington, Vt.	70,201	187
Kalamazoo	69,392	188
Reading	68,937	189
Savannah	68,412	190
Naples	67,743	191
Springfield, Ill.	66,212	192
Laredo	65,349	193
Chico	64,401	194
Bradenton	64,291	195
Pittsfield	64,147	196
Erie	64,111	197
Monroe	63,447	198
Killeen - Temple	62,738	199
San Angelo	62,736	200
Total Top 200	**50,752,968**	
Montgomery	61,651	201
Lincoln	61,357	202
Wilmington, N.C.	61,291	203
Roanoke	60,970	204
Eugene - Springfield	60,710	205
Binghamton	60,351	206
Topeka	60,229	207
Terre Haute	59,121	208
Redding	58,915	209
Cedar Rapids	58,769	210
Huntsville	57,950	211
Fort Walton Beach	57,892	212
Sherman - Denison	57,105	213
Provo - Orem	56,796	214
Florence, S.C.	56,783	215
Alexandria, La.	56,772	216
Bangor	56,638	217
Salem, Ore.	56,048	218
State College	55,751	219
Anderson, S.C.	55,699	220
Eau Claire	55,072	221
Champaign - Urbana - Rantoul	54,381	222
Texarkana	53,312	223
Charlottesville	53,206	224
South Bend - Mishawaka	53,055	225
Victoria	52,607	226
Fargo - Moorhead	52,401	227
Santa Fe	50,872	228
Green Bay	50,672	229
Boise	50,506	230
Hagerstown	48,955	231
Parkersburg - Marietta	48,584	232
Muncie	48,273	233
Biloxi - Gulfport	47,915	234
Bremerton	47,629	235
Fayetteville - Springdale	47,460	236
Rochester, Minn.	47,206	237
Lynchburg	46,970	238
Elkhart - Goshen	46,316	239
Lorain - Elyria	46,271	240
Athens	46,259	241
Bellingham	45,829	242
Sioux Falls	45,632	243
Sioux City	44,838	244
Bloomington - Normal	44,239	245
Wheeling	43,400	246
Altoona	43,139	247
Tuscaloosa	43,095	248
Benton Harbor	43,008	249
Lima	42,626	250
Total Top 250	**53,367,494**	
Yakima	42,251	251
Glens Falls	42,201	252
Lafayette - West Lafayette	42,028	253
Olympia	41,597	254
Yuba City	41,311	255
Clarksville - Hopkinsville	41,120	256
Decatur	40,989	257
Hamilton - Middletown	40,936	258
Racine	40,774	259
Jackson, Mich.	40,577	260
Jackson, Tenn.	40,013	261
Wausau	39,702	262
Columbus, Ga.	39,320	263
Mansfield	39,308	264
Merced	38,870	265
Jacksonville, N.C.	38,694	266
Waterloo - Cedar Falls	38,576	267
Dothan	38,468	268
Joplin	38,172	269
Burlington, N.C.	37,869	270
Steubenville - Weirton	37,553	271
Casper	37,491	272
Pueblo	37,393	273
Muskegon	37,306	274
Pine Bluff	37,188	275
Richland - Kennewick - Pasco	37,049	276
Rapid City	36,877	277
Albany, Ga.	36,766	278
Niagara Falls	36,686	279
Greeley	36,323	280
Panama City	35,895	281
Kokomo	35,524	282
Owensboro	34,763	283
Lawton	34,422	284
Vancouver	34,397	285
Beaver County, Pa.	34,038	286
Florence, Ala.	33,327	287
Janesville - Beloit	32,840	288
Williamsport	32,097	289
La Crosse	32,026	290
Columbia, Mo.	31,516	291
Sharon	31,466	292
Battle Creek	30,483	293
Enid	30,351	294
Medford	30,166	295
Bismarck	30,091	296
Anderson, Ind.	29,709	297
Sheboygan	29,619	298
Vineland - Millville - Bridgeton	29,127	299
Danville, Va.	28,982	300
Cheyenne	27,589	301
Kankakee	27,281	302
Iowa City	26,712	303
Las Cruces	25,872	304
Bloomington, Ind.	25,354	305
Anniston	24,983	306
Lewiston - Auburn	24,901	307
Dubuque	24,147	308
Cumberland	24,139	309
Great Falls	22,878	310
Elmira	22,336	311
St. Joseph	21,471	312
Grand Forks	21,029	313
Gadsden	20,799	314
Kenosha	20,649	315
Pascagoula	20,363	316
Lawrence, Kans.	18,825	317

Total Above Areas . . . 55,581,069
Percent of U.S. 74.5821
U.S. Total 74,523,377

Source: Sales and Marketing Management's *1986 Survey of Buying Power.*

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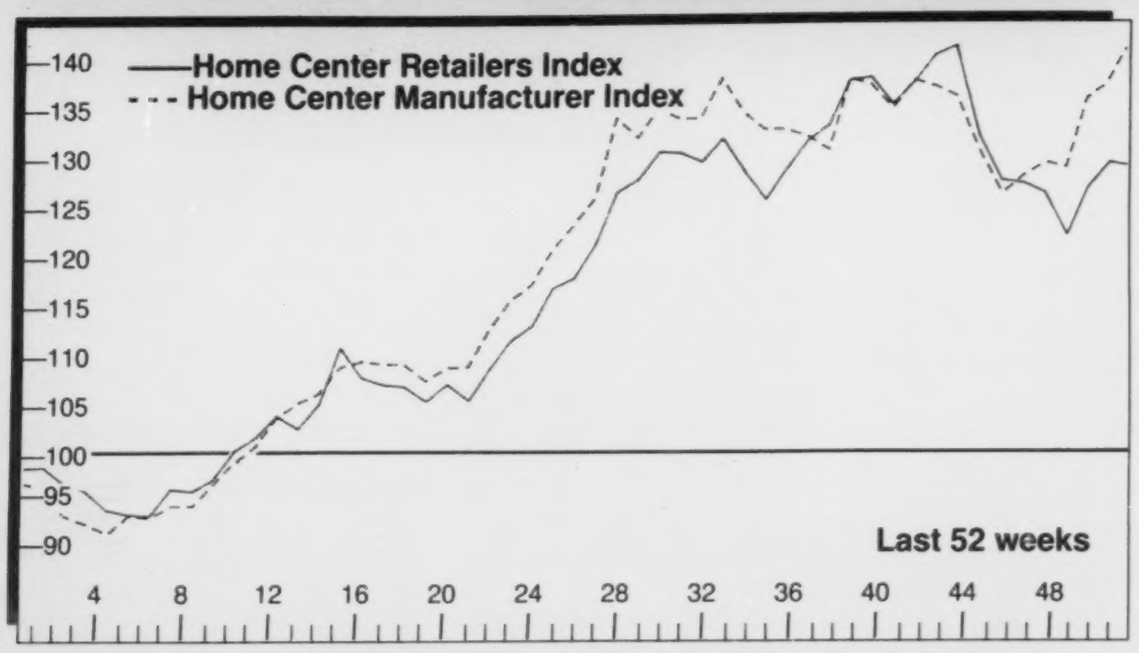
FINANCIAL NEWS

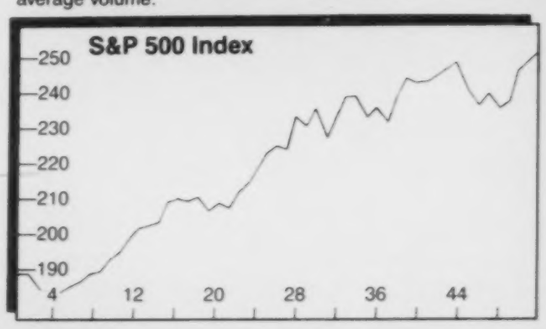


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
9-05-86	(100)	%	%
Owens Corning ..... N	152,145	348.3	2.8
SW Forest Ind ..... N	13,607	254.6	14.8
Hechinger A ..... M	9,750	249.8	16.1
Color Tile ..... M	20,599	246.4	10.6
Weyerhaeuser ..... N	49,989	245.9	5.5
Georgia-Pacific ..... N	49,827	214.4	5.8
USG Corp ..... N	22,384	198.2	5.3
Manville Cp ..... N	12,528	186.8	.0
Am Standard ..... N	15,072	186.4	7.0
La Pacific ..... N	10,616	178.6	1.8

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



Price Movement

Company & Market	2-Weeks Ended 9-05-86	2-Week Price Change	Total 2-Week Volume
Winners	$	%	(100)
SW Forest Ind ..... N	17.50	14.8	13,607
Color Tile ..... M	30.13	10.6	20,599
Boise Cascade ..... N	61.00	7.5	12,910
Am Standard ..... N	40.00	7.0	15,072
Supermkts Gen ..... N	31.00	6.9	3,970
Georgia-Pacific ..... N	36.38	5.8	49,827
Walter, Jim ..... N	53.00	5.5	11,902
Weyerhaeuser ..... N	38.25	5.5	49,989
USG Corp ..... N	42.13	5.3	22,384
Emhart Corp ..... N	36.75	5.0	3,722
Losers	$	%	(100)
Hechinger A ..... M	18.25	- 16.1	9,750
Hechinger B ..... M	19.00	- 13.6	843
Lowe's Cos ..... N	26.38	- 9.4	12,903
Zayre Corp ..... N	27.25	- 8.8	38,591
Certain-teed ..... N	28.50	- 6.6	3,567
Waxman Ind ..... M	14.75	- 6.3	1,194
Sears, Roebuck ..... N	44.88	- 6.0	95,523
Pay N Pak ..... N	14.00	- 5.1	2,448
Scotty's Inc ..... N	14.13	- 5.0	761
Std Brd Pnt ..... N	23.88	- 5.0	4,653

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 9-05-86	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-
Retailers																	
Color Tile ..... M	30.13	2.88	10.6	30.50	26.50	30.50	16.88	20,599	21.72	6.27	246.4	19.1	.00	.0	NEW	fiscal	06-86
Erb Lumber ..... M	14.50	.38	2.7	15.00	14.00	19.25	5.75	126	.38	.72	- 47.2	8.3	.00	.0	.....	6 mos.	06-86
Forest City Ent ..... A	33.00	- .25	- .8	33.50	32.63	33.50	22.00	45	.06	.04	50.0	45.2	.30	.9	.....	3 mos.	04-86
Grace W R ..... N	50.25	.00	.0	51.50	48.75	60.75	35.50	12,236	2.94	2.29	28.4	15.5	2.80	5.6	.....	6 mos.	06-86
Handyman ..... A	30.75	.50	1.7	30.88	30.25	36.00	21.75	169	.66	.44	50.0	13.3	.20	.7	NEW	6 mos.	06-86
Hechinger A ..... M	18.25	- 3.50	- 16.1	21.25	18.25	23.59	12.81	9,750	8.92	2.55	249.8	NA	.16	.9	.....		00-00
Hechinger B ..... M	19.00	- 3.00	- 13.6	21.50	19.00	23.59	12.81	843	.51	.33	54.5	22.9	.06	.3	NEW	6 mos.	07-86
Home Depot ..... N	20.00	.50	2.6	20.50	19.25	21.75	10.50	9,798	3.89	1.75	122.3	31.7	.00	.0	.....	6 mos.	07-86
INTERCO Inc ..... N	43.88	.38	.9	44.25	42.38	47.63	31.38	7,329	2.56	1.13	126.5	14.5	1.60	3.6	.....	3 mos.	05-86
K mart Cp ..... N	52.13	- .75	- 1.4	53.38	49.88	57.38	30.63	53,581	4.25	2.41	76.3	23.0	1.48	2.8	.....	6 mos.	07-86
Lowe's Cos ..... N	26.38	- 2.75	- 9.4	29.25	26.13	41.50	20.75	12,903	3.30	1.83	80.3	16.7	.40	1.5	NEW	6 mos.	07-86
Mich General ..... A	2.75	- .13	- 4.3	2.88	2.63	5.25	2.25	1,263	1.11	1.42	- 21.8	NE	.00	.0	.....	6 mos.	06-86
Natl Hardgoods ..... M	9.75	- .25	- 2.5	9.75	9.50	10.25	5.50	91	.74	1.52	- 51.3	20.3	.00	.0	NEW	6 mos.	07-86
Natl Lumber ..... M	5.00	.00	.0	5.25	4.75	7.00	4.00	783	1.39	.50	178.0	NE	.00	.0	NEW	*	07-86
Pay N Pak ..... N	14.00	- .75	- 5.1	15.25	13.75	19.38	11.63	2,448	2.45	1.51	62.3	16.7	.64	4.6	.....	3 mos.	05-86
Payless Cash ..... N	20.00	.25	1.3	20.50	18.88	27.50	13.50	8,181	2.36	1.84	28.3	16.7	.16	.8	.....	6 mos.	05-86
Scotty's Inc ..... N	14.13	- .75	- 5.0	15.00	14.13	18.13	12.38	761	.53	.40	32.5	13.3	.52	3.7	.....	9 mos.	03-86
Sears, Roebuck ..... N	44.88	- 2.88	- 6.0	47.25	43.88	50.38	31.75	95,523	2.61	1.10	137.3	12.8	1.76	3.9	NEW	6 mos.	06-86
Svc Merchandise ..... M	9.63	.13	1.3	9.88	9.38	15.63	8.25	34,710	10.42	4.85	114.8	NE	.08	.8	.....	6 mos.	06-86
Std Brd Pnt ..... N	23.88	- 1.25	- 5.0	25.25	23.13	25.75	18.75	4,653	23.00	11.75	95.7	18.9	.58	2.4	.....	3 mos.	04-86
Supermkts Gen ..... N	31.00	2.00	6.9	32.25	27.75	32.25	19.94	3,970	1.03	.86	19.8	17.2	.28	.9	NEW	6 mos.	07-86
Wickes Cos ..... A	5.00	.00	.0	5.38	4.88	7.00	3.88	72,107	4.06	2.35	72.8	18.5	.00	.0	NEW	6 mos.	07-86
Wolohan Lumber ..... M	8.63	- .13	- 1.4	8.88	8.50	10.75	5.25	960	1.64	1.86	- 11.8	12.3	.16	1.9	.....	6 mos.	06-86
Zayre Corp ..... N	27.25	- 2.63	- 8.8	29.88	26.88	43.88	23.88	38,591	6.54	2.80	133.6	18.0	.32	1.2	.....	6 mos.	07-86
Wholesalers																	
Lewis Palmer ..... M	9.25	.13	1.4	9.38	8.63	9.88	6.38	835	2.13	1.41	51.1	29.8	.28b	3.0	NEW	6 mos.	07-86
Stanline Inc ..... M	9.50	- .25	- 2.6	10.25	8.75	12.75	6.13	370	2.29	1.78	28.7	11.0	.28	2.9	.....	6 mos.	04-86
Manufacturers																	
Allegheny Int ..... N	18.00	- .25	- 1.4	18.50	16.25	28.75	11.38	4,860	4.52	2.50	80.8	NE	.00	.0	.....	6 mos.	06-86
Am Standard ..... N	40.00	2.63	7.0	41.00	36.00	46.88	27.00	15,072	4.01	1.40	186.4	7.9	1.60	4.0	.....	6 mos.	06-86
Armstrng Wrld ..... N	59.88	2.13	3.7	61.38	57.00	69.88	31.88	6,056	2.51	1.36	84.6	13.4	1.44	2.4	.....	6 mos.	06-86
Black & Decker ..... N	17.00	- .50	- 2.9	18.13	16.50	25.25	14.50	19,362	3.34	2.09	59.8	25.8	.40	2.4	.....	9 mos.	06-86
Boise Cascade ..... N	61.00	4.25	7.5	61.38	56.00	61.38	39.63	12,910	4.41	1.96	125.0	19.3	1.90	3.1	.....	6 mos.	06-86
Certain-teed ..... N	28.50	- 2.00	- 6.6	30.75	28.38	38.50	22.38	3,567	1.88	.95	97.9	9.9	.90	3.2	.....	6 mos.	06-86
Champ Intl ..... N	27.00	.38	1.4	27.75	25.88	29.75	20.25	42,421	4.48	1.86	140.9	18.6	.52	1.9	.....	6 mos.	06-86
DeSoto Inc ..... N	38.00	- 1.50	- 3.8	39.75	37.50	41.38	31.50	382	.80	.54	48.1	12.7	1.40	3.7	.....	6 mos.	06-86
Emhart Corp ..... N	36.75	1.75	5.0	37.00	34.63	42.63	26.38	3,722	1.22	.66	84.8	13.6	1.40	3.8	.....	6 mos.	06-86
Georgia-Pacific ..... N	36.38	2.00	5.8	36.75	33.00	36.75	20.63	49,827	4.81	1.53	214.4	23.6	.80	2.2	.....	6 mos.	06-86
Insilco Corp ..... N	21.38	- .38	- 1.7	23.13	21.25	24.75	16.63	2,185	1.11	1.14	- 2.6	15.5	1.00	4.7	.....	6 mos.	06-86
La Pacific ..... N	27.75	.50	1.8	28.50	26.50	30.13	17.13	10,616	2.87	1.03	178.6	22.6	.80b	2.9	.....	6 mos.	06-86
Macmillan Bloedel ..... M	27.13	- .50	- 1.8	27.50	26.75	28.63	12.47	313	.10	.12	- 16.7	NA	.50b	NA	.....	6 mos.	06-86
Manville Cp ..... N	2.38	.00	.0	2.38	2.00	8.88	2.00	12,528	5.22	1.82	186.8	NE	.00	.0	.....	6 mos.	06-86
Masco Corp ..... N	29.50	.88	3.1	30.63	28.13	34.50	15.25	16,469	1.28	.72	77.8	20.9	.32	1.1	.....	6 mos.	06-86
Mor-Flo Inds ..... M	14.50	- .25	- 1.7	14.50	14.50	19.25	14.25	22	.09	.22	- 59.1	15.9	.01	.1	NEW	6 mos.	06-86
Newell Co ..... N	28.00	.63	2.3	28.63	24.88	36.75	16.25	2,676	2.39	1.48	61.5	13.3	.70	2.5	.....	6 mos.	06-86
Owens Corning ..... N	79.50	- 2.25	- 2.8	81.75	77.75	82.50	32.13	152,145	51.06	11.39	348.3	16.8	1.40	1.8	.....	6 mos.	06-86
Ply-Gem ..... A	12.38	.38	3.1	12.38	11.25	15.50	10.00	1,909	2.60	1.58	64.6	14.2	.12	1.0	.....	6 mos.	06-86
Pope & Talbot ..... N	21.00	.63	3.1	22.00	20.38	24.75	16.75	994	1.66	.74	124.3	22.1	.80	3.8	.....	6 mos.	06-86
Potlatch Cp ..... N	58.25	- 1.50	- 2.5	59.50	57.75	60.00	33.00	2,471	1.89	.87	117.2	17.9	1.56	2.7	.....	6 mos.	06-86
Sherwin-Wms ..... N	26.38	- .75	- 2.8	27.00	25.50	32.25	16.63	11,269	2.45	1.82	34.6	15.9	.50	1.9	.....	6 mos.	06-86
SW Forest Ind ..... N	17.50	2.25	14.8	17.50	15.00	17.50	9.88	13,607	13.44	3.79	254.6	NE	.00	.0	.....	6 mos.	06-86
Stanley Works ..... N	41.13	1.50	3.8	41.88	39.25	46.25	27.63	4,039	1.45	.87	66.7	14.2	1.14	2.8	.....	6 mos.	06-86
Thos Inds ..... N	21.50	- .50	- 2.3	22.25	21.25	26.75	16.19	906	1.01	.47	114.9	11.6	.68b	3.2	.....	6 mos.	06-86
USG Corp ..... N	42.13	2.13	5.3	44.25	39.00	44.25	18.31	22,384	3.31	1.11	198.2	11.2	1.12	2.7	.....	6 mos.	06-86
Walter, Jim ..... N	53.00	2.75	5.5	54.63	49.25	54.63	26.00	11,902	4.10	2.23	83.9	19.9	1.40	2.6	.....	9 mos.	05-86
Waxman Ind ..... M	14.75	- 1.00	- 6.3	16.25	14.75	17.13	10.00	1,194	3.80	2.14	77.6	16.4	.08	.5	NEW	fiscal	06-86
Weyerhaeuser ..... N	38.25	2.00	5.5	38.75	35.38	40.25	24.75	49,989	3.84	1.11	245.9	26.6	1.30	3.4	.....	6 mos.	06-86

Company and Market	Financial Update: Latest Quarter: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Revenue: Chg.	Net Income: Amt.	Net Income: Chg.	E.P.S.: Amt.	E.P.S.: Chg.
	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers												
Color Tile ..... M	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Erb Lumber ..... M	60.5	13.9	2.2	- 8.3	.67	3.1	95.6	20.4	1.9	- 5.0	.57	3.6
Forest City Ent ..... A	88.0	19.4	.2	.0	.03	50.0	88.0	19.4	.2	.0	.03	50.0
Grace W R ..... N	1410.5	- 26.1	86.4	108.7	2.06	148.2	2661.0	- 23.7	83.3	8.3	1.98	27.7
Handyman ..... A	50.2	- 2.3	2.2	- 12.0	.85	- 14.1	112.8	- .6	2.0	- 60.0	.79	- 60.1
Hechinger A ..... M	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B ..... M	162.1	25.4	8.4	16.7	.27	12.5	299.0	22.6	13.3	20.9	.43	13.2
Home Depot ..... N	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc ..... N	579.2	- 1.7	14.4	28.6	.46	27.8	579.2	- 1.7	14.4	28.6	.46	27.8
K mart Cp ..... N	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos ..... N	657.8	10.4	21.2	1.4	.54	- 6.9	1191.8	13.7	32.6	- .6	.85	- 6.6
Mich General ..... A	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods ..... M	10.9	5.8	.4	100.0	.28	27.3	17.4	2.4	.4	33.3	.31	34.8
Natl Lumber ..... M	NC	NC	NC	NC	NC	NC	72.7	NC	(.7)	NC	(.12)	NC
Pay N Pak ..... N	105.1	27.1	2.3	9.5	.23	9.5	105.1	27.1	2.3	9.5	.23	9.5
Payless Cash ..... N	428.8	14.1	15.6	20.0	.45	15.4	703.3	11.5	18.0	23.3	.52	18.2
Scotty's Inc ..... N	128.4	5.5	4.1	- 18.0	.28	- 26.3	359.3	7.9	9.7	- 19.2	.67	- 25.6
Sears, Roebuck ..... N	10750.2	9.3	284.9	7.3	.77	6.9	20140.5	8.3	480.2	- 1.8	1.29	- 2.3
Svc Merchandise ..... M	626.6	14.8	(9.3)	- 100.0	(.27)	- 100.0	1083.7	21.4	(38.5)	NE	(1.15)	NE
Std Brd Pnt ..... N	77.8	- 3.8	3.3	- 31.3	.29	- 32.6	77.8	- 3.8	3.3	- 31.3	.29	- 32.6
Supermkts Gen ..... N	1361.4	5.8	19.9	226.2	.52	2.0	2698.7	7.8	32.2	79.9	.86	2.4
Wickes Cos ..... A	1111.8	32.4	20.8	114.4	.13	160.0	2106.9	36.3	36.5	748.8	.15	NE
Wolohan Lumber ..... M	55.1	27.0	1.8	38.5	.30	25.0	83.2	25.1	1.7	70.0	.28	55.6
Zayre Corp ..... N	1212.7	35.4	9.0	- 43.8	.15	- 44.4	2257.2	33.9	25.7	- 17.6	.43	- 20.4
Wholesalers												
Lewis Palmer ..... M	46.6	24.3	.4	100.0	.12	100.0	80.4	14.0	.5	150.0	.14	133.3
Stanline Inc ..... M	14.0	1.4	.3	.0	.22	- 4.3	27.4	- .7	.6	.0	.38	- 17.4
Manufacturers												
Allegheny Int ..... N	445.7	- 10.5	(1.6)	- 100.0	(.85)	- 100.0	912.9	- 8.9	10.3	- 31.3	(.44)	NE
Am Standard ..... N	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Armstrng Wrld ..... N	487.0	13.3	33.8	4.6	1.40	4.5	917.9	13.8	56.7	12.9	2.35	12.4
Black & Decker ..... N	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	- 31.1	.46	- 36.1
Boise Cascade ..... N	945.1	- .8	31.3	- 1.3	1.07	.0	1861.7	- 2.5	56.3	- 13.4	1.90	- 13.2
Certain-teed ..... N	286.1	- 1.7	16.2	- 1.8	.85	1.2	541.1	- .5	26.7	8.1	1.41	12.8
Champ Intl ..... N	1096.4	- 31.4	50.5	16.6	.51	21.4	2218.7	- 31.6	72.5	- 16.8	.71	- 16.5
DeSoto Inc ..... N	131.5	2.8	4.9	- 23.4	1.02	- 23.9	228.3	3.3	7.3	1.4	1.53	1.3
Emhart Corp ..... N	527.9	17.4	19.8	- 25.8	.67	- 30.2	1037.5	19.3	37.8	- 10.2	1.32	- 13.2
Georgia-Pacific ..... N	1929.0	7.5	86.0	28.4	.79	29.5	3533.0	4.7	116.0	.0	1.04	.0
Insilco Corp ..... N	197.1	- 14.6	11.5	8.5	.57	.0	377.4	- 11.8	18.3	10.2	.91	1.1
La Pacific ..... N	394.0	14.2	24.5	390.0	.67	415.4	716.6	16.3	25.9	250.0	.71	255.0
Macmillan Bloedel ..... M	698.7	16.8	49.1	529.5	1.31	3175.0	1311.9	15.4	78.3	652.9	1.99	NE
Manville Cp ..... N	490.6	- 2.0	25.2	23.5	.79	33.9	946.1	1.3	37.2	14.1	1.03	22.6
Masco Corp ..... N	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds ..... M	48.3	- 9.9	.8	- 52.9	.32	- 53.6	100.7	- 5.0	1.5	- 55.9	.60	- 55.2
Newell Co ..... N	95.1	16.4	5.1	6.3	.46	- 13.2	189.6	17.6	9.2	15.0	.90	2.3
Owens Corning ..... N	925.4	17.2	34.9	72.8	1.16	70.6	1791.5	22.0	57.8	19.9	1.93	18.4
Ply-Gem ..... A	59.1	38.1	2.4	166.7	.30	100.0	109.7	31.4	4.4	120.0	.56	60.0
Pope & Talbot ..... N	76.1	- 10.7	3.6	89.5	.60	100.0	150.2	- 10.8	3.1	- 24.4	.51	- 23.9
Potlatch Cp ..... N	249.9	.5	19.5	85.7	1.40	129.5	483.2	.0	33.1	50.5	2.35	83.6
Sherwin-Wms ..... N	598.3	- 1.4	30.5	7.0	.65	4.8	1101.0	.2	37.4	9.4	.80	6.7
SW Forest Ind ..... N	158.5	- 11.4	(4.0)	NE	(.25)	NE	301.0	- 13.8	(12.0)	NE	(1.19)	NE
Stanley Works ..... N	402.6	29.1	20.5	6.8	.73	4.3	726.8	23.4	35.2	6.0	1.26	3.3
Thos Inds ..... N	77.1	- 2.3	4.3	10.3	.47	4.4	147.9	- 3.2	7.5	5.6	.83	5.1
USG Corp ..... N	752.6	16.6	76.2	23.5	1.15	25.0	1374.7	11.4	127.9	22.7	1.96	25.6
Walter, Jim ..... N	NC	NC	(11.5)	- 100.0	(.16)	- 100.0	626.9	- 62.3	38.5	- 47.5	1.26	- 53.2
Waxman Ind ..... M	27.7	30.0	1.0	100.0	.32	39.1	97.8	18.3	2.8	27.3	.90	1.1
Weyerhaeuser ..... N	1497.4	6.9	68.4	14.6	.46	12.2	2804.1	4.8	118.4	20.9	.77	18.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Scotty's scales down expansion plans for year

(Continued from page 2)
goal in fiscal 1986—growing 12% in retail square footage," said Dennis Stults, Scotty's president and chief operating officer.

'Unsuitable' older stores

Last month, Scotty's reported that fiscal 1986 sales reached a record high, increasing 9% over 1985, but net income was down 23%, reflecting heavy investments in store expansion and support facilities.

The company still plans to stick to its previously stated goal of opening 13 newly constructed full-line Scotty's home centers, including seven replacement stores, and approximately 15 Scotty's Hardware stores by June of 1987. Despite the six store closings, the chain will still add over 10% in new store square footage under the revised plan, said Scotty's vp and sales promotion manager Dave Bryant.

All six stores had been operating in older, outdated facilities, unsuitable for conversion to the larger, retail-oriented format. Two were in Tampa and one each in Riviera Beach on Florida's lower east coast, in St. Petersburg, Tallahassee and Lauderhill.

"They were in areas where the market had shifted," said Bryant. "Some were built in the days when we located near railroad sidings and are now industrialized. The retail moved into other areas, where we now have or are placing stores."

Stults and Bryant said that Scotty's has no plans to close any other stores.

"We felt it was the best decision to close these six locations; sell them and redeploy the capital and people in new store locations where the long-term potential for sales and profit growth offers a better return on our investment," said Stults.

Record sales, but income off

For the year ended June 28, Scotty's net income totaled $13.5 million, compared with $17.5 million in the prior year. Sales were $493.9 million, up from $453.4 million.

Fourth quarter earnings were down 31% to $3.8 million, from $5.5 million in 1985's comparable period. Sales in the quarter were up 12% to $134.6 million, from $120.4 last year. Comparable store sales were up 6.8%.

Cash flow from operations was approximately $27 million, double the net income, reflecting among other things "substantially higher depreciation associated with Scotty's ambitious expansion program," said Harold Taylor, senior vp and chief financial officer.

During the just-completed fiscal year, Scotty's opened four new full-line stores; retrofitted 11 stores to conform to the new store format; replaced two stores; and opened 12 Scotty's Hardware stores.

In the past two years, the company invested more than $30 million in support facilities, including a major expansion of its central distribution center, a new management information system with point-of-sale computer terminals and a new manufacturing facility for roof trusses, vanities and prehung doors.

Taylor also said that retail consumer sales were up approximately 11% in 1986. Annual sales to professional builders rose approximately 2% but have posted larger increases during the past four months, climbing 11% in the fourth quarter. Builder sales constituted some 24% of total sales.

Scotty's financial position remains strong, said Taylor, with a healthy 2.4-to-1 current ratio.

Home centers post modest same store sales gains in 2Q

(Continued from page 1)
Yet much of these increases came from three chains—Hechinger, Home Depot and Scotty's—which experienced same store sales increases of 2% or less during the first quarter. Several other large chains experienced declines in same store sales increases.

Despite somewhat disappointing results in same store sales, the industry continued to rack up solid sales gains as major players built new units.

Overall, Lowe's reported sales for the first six months were up by 13.7% to $1,191,837,000. Hechinger sales for the same period increased by 22.6% to $299,035,000. And The Home Depot experienced a 52.2% increase in sales to $486,052,000.

Projections more cautious

With the first half of 1986 under their belts, many home center executives, like Lightstone, are reassessing their forecasts for the remainder of 1986. The feeling seems to be that the year will turn out to be a good, but not great, environment for fueling revenues and profits.

"Consumers seem to be very cautious," said William A. Loftus, vp-sales for Ace Hardware, the $1 billion buying group based in Oak Brook, Ill. "Everyone seems to be doing spectacular things to get [customers] to spend their money, but they don't seem to be responding." Ace experienced a 4.5% increase in sales during the second quarter, considerably below its 8% projection. For the first quarter, it got 3.3% after expecting 6%.

"The problem seems to be a lackluster economy and intense market competition, combined with a consumer who is treading water because of confusion about tax reform," said Loftus.

Builder Marts of America, the $555 million dealer services group in Greenville, S.C., reported a good second quarter but emphasized that its dealer base was concerned about the rest of the year. "There is not a lot of confidence from our dealers," said Tom McAbee, vp-finance for the 1,600-dealer BMA.

At The Home Depot, Atlanta, the second quarter brought a rebound in same store sales, to 5%. "It's too soon to draw any conclusions about what the consumer is doing," noted cfo Ron Brill. "With all of the refinancing of homes earlier in the year, there was some feeling consumers would go out and spend that money. But it looks as though they are using the cash to pay off their revolving credit agreements."

Sales spotty nationwide

Local conditions seemed to be impacting retailers as much as—or more than—larger economic factors.

Consumers seemed to exhibit the most enthusiasm in New England. Mid-Cape Home Centers, Orleans, Mass., said the second quarter rebounded from the first, but rapidly rising land prices meant consumers were spending more on remodelings than on new homes. The company has introduced a program to expand its line of appliances and kitchen and bath to encourage such project sales.

National Hardgoods Distributors, Stoughton, Mass., also reported a stronger second quarter.

Erb Lumber and Wolohan Lumber continued to experience stronger same store sales from the Detroit marketplace. And Hill-Behan reported good results in key markets. "Single and multifamily permits were up 41% in the state of Illinois, so our builder business has been very strong in Chicago, as has our competition's," said Pat Behan, vp for the St. Louis-based company.

The South suffered from problems in the energy industries. "I doubt the area will get any better until the gas and oil industries improve," said Behan, whose company has 12 of its 35 stores in Mississippi and Louisiana.

Lowe's, which operates 295 stores primarily in the South Atlantic and South Central regions, experienced same store sales increases of 5.4% for the second quarter. That represents a less robust performance than the 8.0% increase clocked during the first quarter.

Lowe's attributed much of the softening to problems in the states of Texas and Oklahoma, where the economy has been impacted by problems in the oil industry.

On an overall basis, Lowe's reported sales of $657.8 million for the second quarter, up 10% over the same quarter of 1985.

Sales were flat for the quarter at Builderama, the chain of six stores based in Savannah, Ga. Last month, the company started a new advertising campaign that used television for the first time in many years.

On the West Coast, the usual heavy competition brought about a loss for the quarter at National Lumber, Fountain Valley, Calif., and softer same store sales increases at Handyman in San Diego.

"We're staying quiet to improve our bottom line," noted V. J. Carnevale, cfo for National, speaking of his company's decision to cease opening new stores in 1986. He added that August was a better month than the previous one for National and that the company saw definite signs of improvement for the remainder of the year.

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Performance Analysis Second Quarter Ended 7-31-86

	Same Store Sales (% increase)	Total Sales ($ million)	Change From 2Q 1985 (%)	Earnings ($ million)	Change From 2Q 1985 (%)
Erb Lumber	+16.0%	$ 60.5	12.4%	$ 2.2	− 5.1%
Handyman	2.3	50.2	− 2.3	2.2	− 10.6
Hechinger	7.0	162.1	25.4	8.4	16.5
The Home Depot	5.0	263.4	51.2	7.1	185.3
Lowe's	5.4	657.8	10.4	21.3	1.9
National Hardgoods Distributors	9.4	10.9	5.4	0.4	30.9
National Lumber	N/A	40.3	9.8	− 0.1	*
Scotty's	6.8	134.6	11.8	3.8	− 31.3
Standard Brands Paint	−10.5	89.2	− 6.6	4.8	− 12.1
Wolohan	22.0	55.1	26.8	1.8	29.7

The three month period ended around June 30 for Erb Lumber, Handyman, Scotty's and Wolohan.
N/A—Not available. *National Lumber had $504,000 in income during the second quarter of 1985.
Source: Company reports. *NHCN* chart.

Home centers in the East and in the Detroit area reported a rebound in consumer and contractor spending in the second quarter. Some chains elsewhere experienced local economic problems or intense competition.